

# RECAPITALIZATION: A KEY ELEMENT OF THE ARMY TRANSFORMATION

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*“The Department of Defense continues to face a limited investment budget constrained by a relatively stable top-line budget, and squeezed by increased operations and support costs for aging weapons systems.”*

—Jacques S. Gansler, *The Road Ahead*

## Introduction

If COL Harrold's 15-month-old son chooses to serve in the U.S. Army, he will probably be a platoon leader around the year 2020. The soldiers in his platoon will have been motivated to join the Army through interactive recruiting advertisements showing future soldiers using weapon systems from the objective force.

In reality, their motor pools and storage sites will mostly contain weapon systems and equipment we use today. His platoon's ability to train for, fight, and win a war depends on how well we succeed with one of the many challenges we face today: ensuring that the weapons and equipment will be available and usable for those soldiers who must win that future war.

The Army's aging equipment results in lower readiness rates and higher operations and sustainment costs. Twelve of the 16 critical weapon systems briefed to the Army Chief of Staff each month exceed the targeted fleet average age. One of the key solutions to this problem is recapitalization.

A relatively new term, recapitalization involves rebuilding and selectively

## Army Recapitalization Program

### Policy

- “Recapitalization of fielded systems is central to both *readiness* and the Army's transformation. Implementing recapitalization . . . will provide the *warfighter* with a *more capable, reliable, and economically sustainable weapon system* . . . It is essential that we share a common understanding of program objectives and *synchronize our modernization and sustainment efforts* . . .”

### Execution Responsibilities

- “The *Army Materiel Command*, in full partnership with *Program Executive Officers and the MACOMs*, will take the lead in establishing processes and procedures for *initiating and executing recapitalization programs* . . .

### Oversight Responsibilities

- “The *Vice Chief of Staff and Assistant Secretary of the Army for Acquisition, Logistics, and Technology* will jointly chair an *Army-level review of the recapitalization effort annually*.”

## Army Recapitalization Program

### Definitions

- **Modernization:** The *development and/or procurement of new systems* with improved warfighting capabilities.
- **Recapitalization:** The *rebuild and selected upgrade of currently fielded systems* to ensure operational readiness and a zero-time/zero-mile system.
  - **Rebuild:** Restores systems to a *like-new condition* in appearance, performance, and life expectancy; inserts new technology to improve reliability and maintainability.
  - **Upgrade:** *Rebuilds* system AND adds warfighting capability *improvements to address capability shortcomings*.
- **Maintain:** *Repair or replacement* of end items, parts, assemblies, and subassemblies that wear or break.
  - **Today:** Unit, Direct Support (DS), General Support (GS), and Depot.
  - **Future:** Field (Unit, DS, GS) National (Depots, industrial base, qualified below depot activities)

upgrading currently fielded systems to ensure they are operationally ready, “zero-time/zero-mile” systems. Rebuilding restores the systems to a like-new appearance, performance, and life expectancy, and inserts new technology to improve reliability and maintainability. Selected upgrade involves rebuilding the systems and adding warfighting capability improvements to address capability shortcomings. It is also important to note that Army depots, in partnership with industry, play a key role in the recapitalization effort. This effort partners depots with industry to take advantage of the relative strengths of both while continuing to meet statutory requirements. Recapitalization is a process that will impact many states across the Nation. For example, the M1 tank, while manufactured in only 1 state originally, will be recapitalized using components manufactured in 5 states and supported by subcontractors in more than 20 other states.

### Prerequisites

The success of recapitalization programs will depend on three basic factors. The first is to develop the technical data and analyses to determine what the zero-time standard is for each system. Second, once the standard is determined, it must

meet the requirements for each system and its subsystems and components. Finally, components that are upgraded to the new standard must be adequately stocked in Army depots to support fielded systems.

### Requirements

Annual recapitalization requirements as described in the Army’s FY02-07 Program Objective Memorandum (POM) were determined based on the amount of end items for the objective force. The goal of the requirement was to reach half-life for the selected fleet in FY10. The number of weapon systems to be recapitalized each year was reduced based on asset availability and industrial capacity to increase production rates. This resulted in the executable quantity for the stated requirement. The dollars required for each recapitalization program were determined by estimating unit costs for fielded items each year through 2010. Recapitalization programs are partially funded from existing depot maintenance overhaul and procurement program funds without any additional funding in the FY02-07 POM. Based on current estimates, the Army needs an additional \$7.5 billion for its recapitalization program to succeed.

### The Transformation

Recapitalization is a key element of the Army’s transformation. It is a fundamental shift in weapons life-cycle management by maintaining the fleet average age at or below the half-life to address the impact of aging. Recapitalization requires both selected upgrades as well as rebuilding to zero-time/zero-mile standards.

### A Partnership

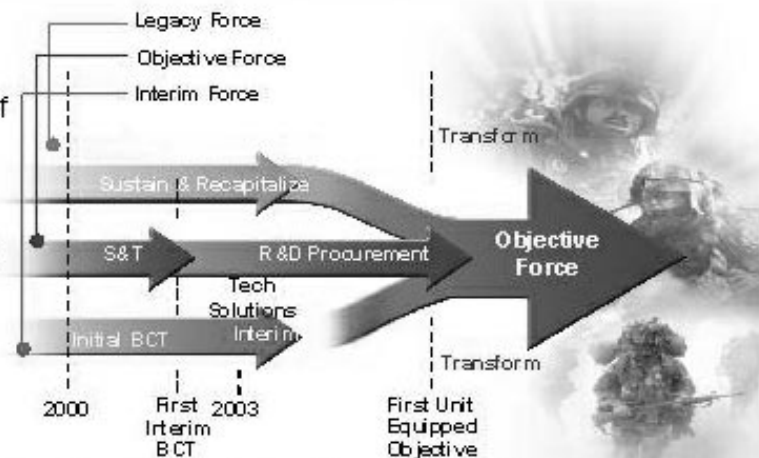
The Army Materiel Command (AMC), in partnership with program executive officers (PEOs) and the major commands (MACOMs), has taken the lead in establishing processes and procedures to initiate and execute recapitalization programs for the first 21 systems. Additionally, the Office of the Deputy Chief of Staff for Operations and Plans (ODCSOPS), the Office of the Deputy Chief of Staff for Logistics (ODCSLOG), and the Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology (OASAALT) are assessing the average fleet age for the initial systems selected for induction into the recapitalization program. These offices are also determining the required number of platforms to be recapitalized to meet each system’s half-life metric.

## RECAPITALIZATION: WHERE IT FITS

### The Army Transformation

#### Recapitalization

"The rebuild and selected upgrade of currently fielded systems to ensure operational readiness and a zero-time/zero-mile system."



Half-Life Metric is the Measure of Success

BCT: Brigade Combat Team

***Our soldiers' ability to fight and win future wars will depend largely on the quality of the equipment they are provided.***

The next step is to determine the average fleet age of the more than 200 systems not selected for the initial recapitalization program and determine when to begin their recapitalization. This step also involves calculating the number of platforms required to meet the half-life metric, as well as prioritizing, by year, when they will be recapitalized.

AMC, assisted by ODCSOPS, ODCSLOG, and the OASAALT, will develop the capability to measure and collect "mile" or "hour" data on the more than 220 systems in the Army inventory. They will also improve the stockage determination process and the National Maintenance Program (enabled by Single Stock Fund) to position components to support recapitalization. Additionally, they will ensure that all 21 systems selected for induction into the recapitalization program have established depot-industry partnerships. Finally, data and lessons learned on depot-industry partnerships will be collected to provide guidance in improving current and future partnerships.

#### Conclusion

Our soldiers' ability to fight and win future wars will depend largely on the quality of the equipment they are provided. As such, the Army has undertaken a major effort to recapitalize its current inventory of aging weapon systems. This effort will ultimately provide the capability, reliability, and sustainability necessary for mission success of the objective force.

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